

SPARTA AREA SCHOOLS
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended June 30, 2008

SPARTA AREA SCHOOLS
Table of Contents

For the year ended June 30, 2008

Financial Section

<i>Independent Auditor's Report</i>	1
<i>Management's Discussion and Analysis</i>	3
<i>Basic Financial Statements</i>	11

District-wide Financial Statements:

Statement of Net Assets.....	12
Statement of Activities	13

Fund Financial Statements:

Governmental Funds:

Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund	18

Fiduciary Fund:

Statement of Fiduciary Assets and Liabilities	19
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Notes to Basic Financial Statements	20
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Supplemental Information

Combining and Individual Fund Statements and Schedules:

General Fund	38
Comparative Balance Sheet	39
Comparative Schedule of Revenues	40
Comparative Schedule of Expenditures	42

SPARTA AREA SCHOOLS
Table of Contents (Continued)

For the year ended June 30, 2008

Nonmajor Governmental Funds.....	47
Combining Balance Sheet.....	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	50
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Food Service Special Revenue Fund.....	52
Athletics Special Revenue Fund.....	53
Special Revenue Funds.....	54
Food Service Special Revenue Fund:	
Comparative Balance Sheet.....	55
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	56
Athletics Special Revenue Fund:	
Comparative Balance Sheet.....	57
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	58
Debt Service Funds.....	59
Combining Balance Sheet.....	60
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	62
Capital Projects Funds	64
Building and Site Capital Projects Fund:	
Comparative Balance Sheet.....	65
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	66
2004 Construction Capital Projects Fund:	
Comparative Balance Sheet.....	67
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	68
Agency Fund.....	69
Student Activities Agency Fund:	
Statement of Changes in Assets and Liabilities	70
Other Information:	
Summary of 2007 Taxes Levied and Collected.....	72

Federal Financial Assistance Programs Supplemental Information Issued Under Separate Cover

FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 20, 2008

The Board of Education
Sparta Area Schools

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sparta Area Schools (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Sparta Area Schools as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008 on our consideration of Sparta Area Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Sparta Area Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

SPARTA AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2008

As management of the Sparta Area Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.

SPARTA AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2008

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 10,102,848	\$ 18,339,760
Net capital assets	<u>44,752,456</u>	<u>37,645,545</u>
Total Assets	<u>54,855,304</u>	<u>55,985,305</u>
Liabilities		
Current liabilities	4,154,501	4,808,261
Long-term liabilities	<u>36,119,835</u>	<u>37,846,443</u>
Total Liabilities	<u>40,274,336</u>	<u>42,654,704</u>
Net Assets		
Invested in capital assets, net of related debt	9,329,591	915,598
Restricted	1,467,726	9,889,378
Unrestricted	<u>3,783,651</u>	<u>2,525,625</u>
Total Net Assets	<u>\$ 14,580,968</u>	<u>\$ 13,330,601</u>

SPARTA AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2008

The Statement of Activities presents changes in net assets from operating results:

	<u>2008</u>	<u>2007</u>
Program Revenues		
Charges for services	\$ 1,159,088	\$ 1,050,331
Operating grants	4,836,808	4,470,765
General Revenues		
Property taxes	5,169,103	4,966,795
State school aid, unrestricted	18,523,692	18,366,091
Interest earnings	369,340	1,030,801
Other	241,728	255,249
Total Revenues	<u>30,299,759</u>	<u>30,140,032</u>
Expenses		
Instruction	15,154,095	15,110,924
Supporting services	10,351,111	8,237,703
Community services	322,738	259,464
Food service	929,982	831,445
Athletics	621,204	596,659
Other	136,351	61,833
Interest on long-term debt	1,590,708	1,484,575
Depreciation – unallocated	620,925	265,780
Total Expenses	<u>29,727,114</u>	<u>26,848,383</u>
Increase in net assets	572,645	3,291,649
Net Assets - Beginning of Year (*Restated)	<u>14,008,323 *</u>	<u>10,038,952</u>
Net Assets - End of Year	<u><u>\$ 14,580,968</u></u>	<u><u>\$ 13,330,601</u></u>

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors.

The District's total revenues increased .53% to \$30.30 million. Property taxes and unrestricted state aid accounted for most of the District's revenues, contributing about 78 percent of every dollar raised. Another 16 percent came from state and federal aid for specific programs and the remainder from fees charged for services, interest earnings, donations and miscellaneous sources.

The total cost of all programs and services increased 11 percent to \$29.7 million, due to the effect on the District Early Retirement Incentive Program on the prior year's expenses and decreased interest on long-term debt in the current year. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (65 percent). The District's administrative and business activities accounted for 7 percent of

SPARTA AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2008

total costs. Operation and maintenance expenses accounted for 6 percent of the total costs. It should be noted that the District absorbed considerable cost increases during the 2008 fiscal year in the areas of utilities, and compensation for employees. The District continued to try and save on retirement expenses by privatizing all non-staff athletic coaches and new non-union daycare employees.

Total revenues surpassed expenses, increasing net assets by \$572,645 over last year, due to conservative budgeting and spending in these unsteady economic times. The district also experienced an unexpected spike in enrollment.

The District has been able to continue to balance the General Fund budget through a series of reductions and cost savings measures. The District was able to maintain current staffing and avoid reduction in personnel through a variety of cost-savings measures, to include:

- Reductions in instructional staff through attrition, due to retiremenets.
- The current trend to reduce costs will continue. The District continues to work with other area districts to create collaborative arrangements whereby districts can become more efficient in a number of areas to include student transportation, purchasing, the use of personnel, delivery of instruction, the use of technology, etc. The District is in the third year of utilizing a single bus run and working collaboratively with other area districts for special education transportation in an effort to reduce costs. The District continues to seek out collaborative efforts with other local districts and the intermediate school district, such as the itinerant project.
- The District has continued to streamline processes and procedures within the District to ensure efficiencies in all areas of operations.

Fund Financial Statements

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

SPARTA AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Sparta Area School's funds are described as follows:

Major Funds

General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$25,796,066, total other financing sources of \$30,000, total expenditures of \$24,307,043, and total other financing uses of \$398,439. It ended the fiscal year with a fund balance of \$4,448,806, up from \$3,328,222 as of June 30, 2007. The increase in fund balance of \$1,120,584 can be related to a number of factors which include:

- Conservative spending practices in all areas of the budget.
- A reasonable increase in state aid.
- A modest rollback in the retirement rate.
- Higher than expected enrollment.

2004 Construction Fund

The District issued \$34,410,000 in capital improvement bonds in 2004 to finance the construction of a new high school, which is accounted for in the 2004 Construction Fund. Current year investment earnings totaled \$205,274. Architect fees, construction manager and building and equipment costs totaled \$8,782,835, leaving a remaining fund balance at June 30, 2008 of \$994,395 with which to complete the projects over the next fiscal year.

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletic programs. Total revenues and other financing sources were \$1,486,146, with total expenditures and other financing uses of \$1,516,773. The ending fund balance was \$142,210, all of which is attributable to the Food Service Fund.

Debt Service Funds

The District operates seven Debt Service Funds. Total revenues were \$2,708,308 and total other financing sources were \$272,005. Total expenditures were \$2,962,543 and other financing uses were \$0. The ending fund balances in the Debt Service Funds totaled \$230,535.

Capital Projects Fund

There is one nonmajor Capital Projects Fund, the Building and Site Sinking Fund, incorporated into the financial statements of the District. Total revenues were \$401,857. Total expenditures were \$32 and other financing uses (transfers for debt service payments) totaled \$272,005. The ending fund balance was \$499,973.

SPARTA AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Fiduciary Funds

The Student Activity Fund is operated as an Agency Fund of the District. The assets of this fund are being held for the benefit of the District's students. Balances on hand at June 30, 2008 totaled \$470,491.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times. These budget amendments fall into the following categories:

- The first amendment took place in March to account for the final student enrollment in the fall, as well as expenditure and revenue increases.
- Final changes made in June for increases in appropriations to prevent budget overruns. There was much talk of a proration in the final months of our fiscal year, so we took a more conservative approach to closing the year and limited spending.
- Although the District's final budget for the General Fund anticipated expenditures would exceed revenues by \$110,216, the actual results for the year shows a \$1,120,584 increase in fund balance.
- Actual enrollment increased by 25 students over conservative projections.

Capital Asset and Debt Administration

Capital Assets

By the end of 2008, the District had invested \$55.7 million in a broad range of capital assets, including land and land improvements, school buildings, athletic facilities, computer equipment, school buses, and administrative offices. This amount represents an increase of \$7,520,657 from June 30, 2007, due mainly to the construction in progress on the high school project and the purchase of furniture and equipment. More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.

The net book value of District assets at June 30, 2008 are as follows:

Land	\$ 2,090,675
Construction in progress	3,631,892
Buildings and additions	36,883,107
Furniture and equipment	1,294,265
Vehicles	<u>852,517</u>
Net Capital Assets	<u>\$ 44,752,456</u>

Long-Term Debt

At year end, the District had \$37.7 million in general obligation bonds and other long-term debt outstanding – a decrease of \$1,529,417 from last year.

- The District continued to pay down its debt, retiring \$1,375,000 of outstanding bonds.

SPARTA AREA SCHOOLS
Management's Discussion and Analysis
June 30, 2008

- The District's other obligations include early retirement incentive and accumulated sick leave. We present more detailed information about our long-term liabilities in Note F to the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Enrollment continues to be of some concern to the District. Although we had a slight increase this year, the unsteady economy and reduction of 29,000 students statewide provides caution for continued conservative projections.
- The retirement rate the district must pay on employee salaries continues to be a concern for school districts.
- Rising costs in utilities and fuel costs are a concern as well.
- The economy, not only in the state of Michigan, but the country as a whole, continues to provide great concern for funding.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's Office, Sparta Area Schools, 465 S. Union St., Sparta, Michigan 49345.

BASIC FINANCIAL STATEMENTS

SPARTA AREA SCHOOLS
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 4,461,987
Taxes receivable (Note C)	28,621
Due from other governmental units (Note C)	3,950,670
Inventory (Note A)	16,163
Prepaid expenses	18,719
Unamortized bond issue costs	1,626,688
Total Current Assets	<u>10,102,848</u>
Noncurrent Assets	
Capital assets (Note E)	55,693,749
Less accumulated depreciation	(10,941,293)
Total Noncurrent Assets	<u>44,752,456</u>
Total Assets	<u>54,855,304</u>
Liabilities	
Current Liabilities	
Accounts payable	371,777
Due to other governmental units	632,823
Accrued interest payable	265,124
Salaries payable	1,123,168
Deferred revenue	3,852
Current portion of long term obligations	1,757,757
Total Current Liabilities	<u>4,154,501</u>
Noncurrent Liabilities (Notes A, F)	
General obligation bonds payable	36,380,000
Durant non-plaintiff bonds payable	464,246
Early retirement incentive	710,288
Accumulated sick leave	117,752
Unamortized bond premium	205,306
Current portion of long-term obligations	(1,757,757)
Total Noncurrent Liabilities	<u>36,119,835</u>
Total Liabilities	<u>40,274,336</u>
Net Assets	
Invested in capital assets, net of related debt	9,329,591
Restricted for:	
Debt service	(27,627)
Capital projects	1,495,353
Unrestricted	3,783,651
Total Net Assets	<u><u>\$ 14,580,968</u></u>

See accompanying notes to basic financial statements.

SPARTA AREA SCHOOLS
Statement of Activities
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 15,154,095	\$ 48,061	\$ 3,882,628	\$(11,223,406)
Supporting services	10,351,111	67,944	510,117	(9,773,050)
Community services	322,738	405,173	-	82,435
Food service	929,982	477,579	444,063	(8,340)
Athletics	621,204	160,331	-	(460,873)
Other	136,351	-	-	(136,351)
Interest expense	1,590,708	-	-	(1,590,708)
Depreciation - unallocated	620,925	-	-	(620,925)
Total Governmental Activities	\$ 29,727,114	\$ 1,159,088	\$ 4,836,808	(23,731,218)
General Revenues				
Taxes:				
Property taxes, levied for general operations				2,097,964
Property taxes, levied for debt service				2,688,026
Property taxes, levied for capital improvements				383,113
State school aid, unrestricted				18,523,692
Interest and investment earnings				369,340
Other				241,728
Total General Revenues				24,303,863
Change in Net Assets				572,645
Net Assets - Beginning of Year, Original				13,330,601
Adjustment of Net Capital Assets				677,722
Net Assets - Beginning of Year, Restated				14,008,323
Net Assets - End of Year				\$ 14,580,968

See accompanying notes to basic financial statements.

SPARTA AREA SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2008

	General	2004 Construction	Nonmajor	Total
Assets				
Cash equivalents, deposits and investments (Note B)	\$2,612,145	\$ 994,395	\$ 855,447	\$ 4,461,987
Taxes receivable (Note C)	20,675	-	7,946	28,621
Due from other funds (Note D)	-	-	455	455
Due from other governmental units (Note C)	3,944,959	-	5,711	3,950,670
Inventory (Note A)	758	-	15,405	16,163
Prepaid expenditures	18,719	-	-	18,719
Total Assets	<u>\$6,597,256</u>	<u>\$ 994,395</u>	<u>\$ 884,964</u>	<u>\$ 8,476,615</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 371,329	\$ -	\$ 448	\$ 371,777
Due to other funds (Note D)	455	-	-	455
Due to other governmental units	632,823	-	-	632,823
Salaries payable	1,123,168	-	-	1,123,168
Deferred revenue	20,675	-	11,798	32,473
Total Liabilities	<u>2,148,450</u>	<u>-</u>	<u>12,246</u>	<u>2,160,696</u>
Fund Balances				
Reserved for:				
Debt service	-	-	230,535	230,535
Capital outlay	-	994,395	499,973	1,494,368
Unreserved:				
Undesignated, reported in:				
General fund	4,448,806	-	-	4,448,806
Special revenue funds	-	-	142,210	142,210
Total Fund Balances	<u>4,448,806</u>	<u>994,395</u>	<u>872,718</u>	<u>6,315,919</u>
Total Liabilities and Fund Balances	<u>\$6,597,256</u>	<u>\$ 994,395</u>	<u>\$ 884,964</u>	<u>\$ 8,476,615</u>

See accompanying notes to basic financial statements.

SPARTA AREA SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total governmental fund balances			\$ 6,315,919
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$55,693,749 and accumulated depreciation is \$10,941,293.			
			44,752,456
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.			
			1,421,382
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
General obligation bonds		\$(36,380,000)	
Durant non-plaintiff bonds		(464,246)	
Early retirement incentive		(710,288)	
Accumulated sick leave		(117,752)	
			(37,672,286)
Accrued interest is not included as a liability in governmental funds.			
			(265,124)
Deferred revenue recognized as revenue in the full accrual statements:			
Property taxes			28,621
Total net assets - governmental activities			\$ 14,580,968

See accompanying notes to basic financial statements.

SPARTA AREA SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	2004 Construction	Nonmajor	Total
Revenues				
Local sources	\$ 2,879,629	\$ 205,274	\$ 3,753,809	\$ 6,838,712
State sources	19,895,442	-	50,801	19,946,243
Federal sources	1,275,168	-	393,262	1,668,430
Interdistrict sources	1,745,827	-	-	1,745,827
Total Revenues	<u>25,796,066</u>	<u>205,274</u>	<u>4,197,872</u>	<u>30,199,212</u>
Expenditures				
Current:				
Instruction	15,247,637	-	-	15,247,637
Supporting services	8,722,444	-	-	8,722,444
Community services	322,738	-	-	322,738
Food service	-	-	928,003	928,003
Athletics	-	-	558,770	558,770
Capital outlay	-	8,782,835	32	8,782,867
Debt service:				
Principal repayment	-	-	1,375,000	1,375,000
Interest and fiscal charges	-	-	1,587,543	1,587,543
Interdistrict	14,224	-	-	14,224
Total Expenditures	<u>24,307,043</u>	<u>8,782,835</u>	<u>4,449,348</u>	<u>37,539,226</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,489,023</u>	<u>(8,577,561)</u>	<u>(251,476)</u>	<u>(7,340,014)</u>
Other Financing Sources (Uses)				
Transfers in	30,000	-	670,444	700,444
Transfers out	(398,439)	-	(302,005)	(700,444)
Total Other Financing Sources (Uses)	<u>(368,439)</u>	<u>-</u>	<u>368,439</u>	<u>-</u>
Net Change in Fund Balances	1,120,584	(8,577,561)	116,963	(7,340,014)
Fund Balances, Beginning of Year	<u>3,328,222</u>	<u>9,571,956</u>	<u>755,755</u>	<u>13,655,933</u>
Fund Balances, End of Year	<u>\$ 4,448,806</u>	<u>\$ 994,395</u>	<u>\$ 872,718</u>	<u>\$6,315,919</u>

See accompanying notes to basic financial statements.

SPARTA AREA SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2008

Net change in fund balances - total governmental funds \$ (7,340,014)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	\$ 7,530,316	
Depreciation expense	<u>(1,101,127)</u>	6,429,189

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. 18,804

Net bond refunding costs are amortized over the life of the new bond issue on the Statement of Activities. (67,916)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of bonds 1,375,000

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities however, interest expense is recognized as the interest accrues regardless of when it is paid. 3,165

In the Statement of Net Assets, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$376,134) exceeded the amounts earned (\$221,717). 154,417

Total change in net assets - governmental activities \$ 572,645

See accompanying notes to basic financial statements.

SPARTA AREA SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 2,753,860	\$ 2,879,151	\$ 2,879,629	\$ 478
State sources	18,597,670	19,846,802	19,895,442	48,640
Federal sources	1,146,648	1,297,807	1,275,168	(22,639)
Interdistrict sources	2,048,720	1,610,519	1,745,827	135,308
Total Revenues	<u>24,546,898</u>	<u>25,634,279</u>	<u>25,796,066</u>	<u>161,787</u>
Expenditures				
Current:				
Instruction:				
Basic programs	11,695,522	11,776,476	11,640,096	136,380
Added needs	3,394,224	3,506,639	3,359,397	147,242
Adult education services	258,509	274,328	248,144	26,184
Supporting services:				
Pupil services	1,805,937	1,766,350	1,691,860	74,490
Instructional staff services	693,337	809,851	779,360	30,491
General administrative services	469,353	510,740	489,615	21,125
School administrative services	1,532,370	1,575,639	1,519,032	56,607
Business services	345,805	402,250	391,254	10,996
Operation and maintenance services	1,702,719	1,736,347	1,614,431	121,916
Pupil transportation services	1,698,966	1,917,220	1,782,240	134,980
Central services	480,901	477,554	454,652	22,902
Community services	251,743	346,649	322,738	23,911
Interdistrict	28,937	15,721	14,224	1,497
Other	-	1,879	-	1,879
Total Expenditures	<u>24,358,323</u>	<u>25,117,643</u>	<u>24,307,043</u>	<u>810,600</u>
Excess Of Revenues Over Expenditures	<u>188,575</u>	<u>516,636</u>	<u>1,489,023</u>	<u>972,387</u>
Other Financing Sources (Uses)				
Transfers in	30,000	30,000	30,000	-
Transfers out	(414,094)	(436,420)	(398,439)	37,981
Total Other Financing Sources (Uses)	<u>(384,094)</u>	<u>(406,420)</u>	<u>(368,439)</u>	<u>37,981</u>
Net Change in Fund Balances	<u>(195,519)</u>	<u>110,216</u>	<u>1,120,584</u>	<u>1,010,368</u>
Fund Balances, July 1	<u>3,328,222</u>	<u>3,328,222</u>	<u>3,328,222</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 3,132,703</u>	<u>\$ 3,438,438</u>	<u>\$ 4,448,806</u>	<u>\$ 1,010,368</u>

See accompanying notes to basic financial statements.

SPARTA AREA SCHOOLS
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Assets

Cash equivalents, deposits and investments (Note B)	<u>\$ 470,491</u>
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Liabilities

Due to student groups	<u>\$ 470,491</u>
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See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note A – Summary of Significant Accounting Policies

Sparta Area Schools was organized under the School Code of the State of Michigan and services a population of approximately 2,855 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Sparta Area Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2004 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Sparta Area Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Sparta Area Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive/Accumulated Sick Leave

Early retirement incentive and accumulated sick leave at June 30, 2008 has been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2008, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive and accumulated sick leave amounted to \$710,288 and \$117,752, respectively.

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Balances at June 30, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 4,461,987
Fiduciary Funds:	
Agency Fund	<u>470,491</u>
	<u><u>\$ 4,932,478</u></u>

Cash Equivalents

Depositories actively used by the District during the year are detailed as follows:

1. Choice One Bank

Cash equivalents consist of bank public funds checking accounts.

Balances at June 30, 2008 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Governmental Funds	\$ 2,904,914
Fiduciary Funds	<u>470,491</u>
	<u><u>\$ 3,375,405</u></u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$3,375,405 and the bank balance was \$3,819,372. Of the bank balance, \$330,318 was covered by federal depository insurance and \$3,489,054 was uninsured.

Investments

As of June 30, 2008 the District had the following investments:

	<u>Fair Value</u>
Investment Pool Accounts:	
Michigan Liquid Asset Fund	<u>\$ 1,557,073</u>

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

The District invests in the Michigan Liquid Asset Fund and Investment Pool, which is unrated.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2007 ad valorem State Education Taxes generated within the Sparta Area School District, and paid to the State of Michigan, totaled \$2,647,137.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2007 and September, 2007. The 2007-08 "Foundation Allowance" for Sparta Area Schools was \$7,204 for 2,822 "Full Time Equivalent" students, generating \$19,384,899 in state aid payments to the District, of which \$3,518,958 was paid to the District in July and August, 2008 and included in "Due From Other Governmental Units" of the General and Food Service Special Revenue Funds of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the Townships of Algoma, Alpine, Sparta, Tyrone, Chester and Wright and the Village of Sparta, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Tax Year	General	Debt Service	Building and Site	Total
2007	\$ 16,158	\$ 5,387	\$ 769	\$ 22,314
2006	3,855	1,345	185	5,385
2005	662	229	31	922
	<u>\$ 20,675</u>	<u>\$ 6,961</u>	<u>\$ 985</u>	<u>\$ 28,621</u>

Taxes receivable are offset by deferred revenue in the General, Debt Service and Building and Site Funds of the District. Taxes uncollected after three years from the date of levy are written off the books of the District.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

Sparta Area Schools' electors previously approved a five year operating millage extension in May 2005 for the 18 mill non-homestead property tax.

The District levied 6 mills in 2007 for debt service purposes and .8552 mills for the building and site (sinking) fund, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Transfers/Receivables

Transfers between funds during the year ended June 30, 2008 were as follows:

	Transfers In	Transfers Out
General Fund		
Special Revenue Funds:		
Food Service Fund	\$ 30,000	\$ —
Athletics Fund	—	398,439
Total General Fund	<u>30,000</u>	<u>398,439</u>

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

	<u>Transfers In</u>	<u>Transfers Out</u>
Special Revenue Funds		
Food Service Fund:		
General Fund	\$ —	\$ 30,000
Athletics Fund:		
General Fund	398,439	—
Total Special Revenue Funds	<u>398,439</u>	<u>30,000</u>
Debt Service Funds		
2000 Debt Service Fund:		
Capital Projects Fund:		
Building & Site Fund	146,619	—
2001 Debt Service Fund:		
Capital Projects Fund:		
Building & Site Fund	125,386	—
Total Debt Service Funds	<u>272,005</u>	<u>—</u>
Capital Projects Funds		
Building and Site Fund:		
2000 Debt Service Fund	—	146,619
2001 Debt Service Fund	—	125,386
Total Capital Projects Funds	<u>—</u>	<u>272,005</u>
Total All Funds	<u>\$ 700,444</u>	<u>\$ 700,444</u>

The Food Service Fund transfer to the General Fund was made to allocate indirect costs for the fiscal year. The General Fund transfer to the Athletic fund was made to pay the General Fund's share of support for the athletic program for the fiscal year. The Building and Site Fund transfers to the Debt Service Funds were made to pay scheduled debt service principal and interest payments due in the fiscal year.

The \$455 due from the General Fund to the Building and Site Fund was for reimbursement of 2007-08 expenditures.

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balances June 30, 2007	Restated/ Reclassified	Restated Balances July 01, 2007	Additions	Deductions	Balances June 30, 2008
Capital assets, not depreciated:						
Land	\$ 2,078,206	\$ —	\$ 2,078,206	\$ 12,469	\$ —	\$ 2,090,675
Construction in progress	26,741,487	—	26,741,487	3,631,892	26,741,487	3,631,892
Capital assets, being depreciated:						
Land improvements	1,025,705	(1,025,705)	—	—	—	—
Buildings and additions	15,059,064	682,048	15,741,112	29,344,708	—	45,085,820
Furniture and equipment	1,011,352	333,998	1,345,350	1,113,212	—	2,458,562
Vehicles	2,257,278	—	2,257,278	169,522	—	2,426,800
Totals at historical cost*	<u>\$48,173,092</u>	<u>\$ (9,659)</u>	<u>\$48,163,433</u>	<u>\$34,271,803</u>	<u>\$26,741,487</u>	<u>\$ 55,693,749</u>
Less accumulated depreciation for:						
Land improvements	\$ 607,693	\$ (607,693)	\$ —	\$ —	\$ —	\$ —
Buildings and additions	7,544,756	(71,455)	7,473,301	729,412	—	8,202,713
Furniture and equipment	902,342	(8,233)	894,109	270,188	—	1,164,297
Vehicles	1,472,756	—	1,472,756	101,527	—	1,574,283
Total accumulated depreciation:*	<u>10,527,547</u>	<u>(687,381)</u>	<u>9,840,166</u>	<u>\$ 1,101,127</u>	<u>\$ —</u>	<u>10,941,293</u>
Net Capital Assets	<u>\$37,645,545</u>	<u>\$ 677,722</u>	<u>\$38,323,267</u>			<u>\$ 44,752,456</u>

*Capital assets and accumulated depreciation were restated at July 1, 2007, based on an updated physical inventory.

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 5,726
Supporting services	409,399
Food service	2,643
Athletics	62,434
Unallocated	620,925
	<u>\$ 1,101,127</u>

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note F – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2008 are summarized as follows:

	General Obligation Bonds	Durant Non-plaintiff Bonds	Early Retirement Incentive	Accumulated Sick Leave	Total
Amount Available For Retirement Of Long-Term Debt					
Debt Service Funds	\$ 230,535	\$ —	\$ —	\$ —	\$ 230,535
Amounts To Be Provided For Retirement Of Long-Term Debt					
State of Michigan	—	464,246	—	—	464,246
General Fund	—	—	710,288	117,752	828,040
Debt Service Funds	36,149,465	—	—	—	36,149,465
Total Amounts Available and To Be Provided	\$36,380,000	\$ 464,246	\$ 710,288	\$ 117,752	\$ 37,672,286

Changes in long-term debt for the year ended June 30, 2008 are summarized as follows:

	Debt Outstanding July 1, 2007	Debt Added	Debt Retired	Debt Outstanding June 30, 2008
General obligation bonds:				
May 1, 2000	\$ 395,000	\$ —	\$ 125,000	\$ 270,000
May 1, 2001	345,000	—	110,000	235,000
March 24, 2003	1,630,000	—	805,000	825,000
July 14, 2004	15,425,000	—	300,000	15,125,000
December 28, 2006	9,960,000	—	—	9,960,000
February 6, 2007	10,000,000	—	35,000	9,965,000
Durant non-plaintiff bonds:				
November 13, 1998	464,246	—	—	464,246
Early retirement incentive	848,228	199,682	337,622	710,288
Accumulated sick leave	134,229	22,035	38,512	117,752
	\$ 39,201,703	\$ 221,717	\$ 1,751,134	\$ 37,672,286

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Long-term bonds outstanding at June 30, 2008 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$1,100M Building and Site May 1, 2000: Annual maturities of \$130M to \$140M	May 1, 2010	5.40 – 5.50	\$ 270,000	\$ 130,000
\$900M Building and Site May 1, 2001: Annual maturities of \$115M to \$120M	May 1, 2010	4.40 – 4.50	235,000	115,000
\$4,815M Refunding March 24, 2003: Annual maturities of \$825M	May 1, 2009	3.00	825,000	825,000
\$34,410M Building & Site July 14, 2004: Annual maturities of \$200M to \$1,575M	May 1, 2022	3.25 – 5.00	15,125,000	350,000
\$10,000M Refunding December 28, 2006: Annual maturities of \$30M to \$2,100M	May 1, 2030	4.00 – 4.125	9,960,000	—
\$10,000M Refunding February 6, 2007: Annual maturities of \$30M to \$1,830M	May 1, 2026	4.00 – 5.00	9,965,000	40,000
Durant Non-plaintiff Bonds				
\$43 - \$268M School Improvement November 13, 1998: Annual maturities of \$43,757 to 269,463	May 15, 2013	4.761353	464,246	43,757
			<u>\$ 36,844,246</u>	<u>\$ 1,503,757</u>

The annual requirements to pay principal and interest on long-term bonds outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 1,503,757	\$ 1,555,501	\$ 3,059,258
2010	1,644,463	1,644,339	3,288,802
2011	1,213,021	1,449,105	2,662,126
2012	1,270,305	1,403,030	2,673,335
2013	1,322,700	1,351,835	2,674,535
2014	1,320,000	1,298,076	2,618,076
2015	1,385,000	1,241,639	2,626,639
2016	1,455,000	1,172,689	2,627,689
2017	1,525,000	1,100,388	2,625,388
2018	1,580,000	1,024,588	2,604,588
2019	1,635,000	946,638	2,581,638
2020	1,690,000	865,989	2,555,989
2021	1,740,000	782,639	2,522,639
2022	1,780,000	711,039	2,491,039
2023	1,820,000	639,839	2,459,839

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Year Ended June 30	Principal	Interest	Total
2024	\$ 1,855,000	\$ 567,039	\$ 2,422,039
2025	1,895,000	492,839	2,387,839
2026	1,945,000	417,039	2,362,039
2027	2,010,000	338,418	2,348,418
2028	2,070,000	258,019	2,328,019
2029	2,100,000	172,631	2,272,631
2030	2,085,000	86,006	2,171,006
	<u>\$ 36,844,246</u>	<u>\$ 19,524,326</u>	<u>\$ 56,368,572</u>

On December 28, 2006 and February 6, 2007 the District issued \$20,000,000 in general obligation bonds to advance refund \$18,450,000 of outstanding 2004 serial bonds. Under the terms of these agreements, these securities, together with interest earned to maturity, will be sufficient to pay all principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds cannot be commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (scheduled to be May 1, 2014). This defeasance procedure allows the District to remove the assets and liabilities from its financial statements, which it has done for the fiscal year ended June 30, 2008. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$24,446,250 on the defeased debt at June 30, 2008 are detailed in the following schedule:

	<u>Cost</u>	<u>Market Value</u>	<u>Par Value</u>
U.S Government Securities	<u>\$ 19,410,758</u>	<u>\$ 19,410,758</u>	<u>\$ 19,410,758</u>

Note G – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2008 was \$13,389,519. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan-Fixed (MIP-Fixed). Effective January 1, 1990, all new employees are automatically enrolled in the MIP-Graded Plan. Participants in the MIP-Fixed or MIP-Graded Plans receive benefits in addition to those available under the Basic Plan. The contribution rate for MIP-Fixed participants is 3.9% of salary. The contribution rate for MIP-Graded participants is a graduated rate based on total wages: calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. All MIP members may retire at age 46 with 30 years of service; at age 60 with 5 years of service; at age 55 with 15 years of service (with stipulations); at age 60 with 10 years of service (with stipulations); or at age 60 with 5 years of service (with stipulations). Benefits are based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPSERS plan. The contribution rate was 17.74% for the fiscal year ending September 30, 2007 and 16.72% for the fiscal year beginning October 1, 2007. The District's contributions to the plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,258,576, \$2,376,072, and \$2,257,312, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS does not make separate measurements of assets and actuarial accrued liability for individual schools, instead using the aggregate actuarial cost method. The actuarial accrued liability at September 30, 2006 (the latest reporting date available expressed as \$ in millions) for retirement benefits for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$49,136. Net assets available for retirement benefits on that date were \$42,995 leaving an unfunded actuarial accrued liability of \$6,141. The total unfunded actuarial accrued liability decreased by \$3,102 from September 30, 2005 to September 30, 2006. At September 30, 2006 the funded ratio of actuarial accrued liability was 87.5%; covered payroll totaled \$9,806, and unfunded actuarial accrued liability was 62.6% of covered payroll.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above. At September 30, 2006, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole (expressed as \$ in millions) was \$25,387. The MPSERS net assets available for these benefits were \$630 leaving an unfunded actuarial accrued liability of \$24,757. This is the first year of reporting this liability, which is now required to be disclosed in compliance with Governmental Accounting Standards Board (GASB) Statement No. 43. At September 30, 2006 the funded ratio of actuarial liability was 2.5%; covered payroll totaled \$9,806, and unfunded actuarial liability was 252.5% of covered payroll.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2007 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

SPARTA AREA SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note H – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,175,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$78,226 in premiums to the Trust for the year ended June 30, 2008.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$450,000 of any workers' compensation or employers' liability loss out of a \$2,122,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2008, there were no material pending claims against the District. The District paid \$76,492 in premiums to the Fund for the year ended June 30, 2008.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note I – Commitments

On July 4, 2004, the District issued \$34,410,000 of general obligation building and site bonds whose proceeds are being used for land purchases, building renovations and additions and furniture and equipment purchases. At June 30, 2008, unspent balances committed to this construction project totaled approximately \$1,000,000, which are expected to be fully expended by the year ended June 30, 2009.

Note J – Stewardship, Compliance and Accountability

The following District fund had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2008, as follows:

	Budget	Actual	Unfavorable Variance
Food Service Fund	\$ 914,954	\$ 928,003	\$ 13,049

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

SPARTA AREA SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 2,612,145	\$ 1,537,510
Taxes receivable	20,675	7,023
Due from other governmental units	3,944,959	3,626,864
Inventory	758	1,693
Prepaid expenditures	<u>18,719</u>	<u>175,848</u>
Total Assets	<u><u>\$ 6,597,256</u></u>	<u><u>\$ 5,348,938</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 371,329	\$ 299,416
Due to other funds	455	1,867
Due to other governmental units	632,823	606,859
Salaries payable	1,123,168	1,099,536
Deferred revenue	<u>20,675</u>	<u>13,038</u>
Total Liabilities	<u>2,148,450</u>	<u>2,020,716</u>
Fund Balances		
Unreserved:		
Undesignated	<u>4,448,806</u>	<u>3,328,222</u>
Total Liabilities and Fund Balances	<u><u>\$ 6,597,256</u></u>	<u><u>\$ 5,348,938</u></u>

SPARTA AREA SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2008 and 2007

	2008	2007
Local sources:		
Property taxes:		
Current property taxes	\$ 2,059,216	\$ 1,932,272
Delinquent property taxes	3,644	6,768
Other property taxes	16,630	9,706
Interest on delinquent taxes	4,822	5,318
	<u>2,084,312</u>	<u>1,954,064</u>
Interest earnings:		
Interest on deposits and investments	117,488	111,384
Other local revenue:		
Tuition	12,690	15,535
Community enrichment fees	32,969	33,771
Preschool/childcare fees	372,204	325,817
Drivers education	35,371	34,294
Transportation fees	33,350	15,381
Sale of school property	2,464	3,823
Sale of fuel	34,594	26,969
Rental of school facilities	4,444	1,255
Donations	2,505	3,765
Insurance claims	364	19,981
Adult education reimbursement	49,425	53,324
Refunds of expenditures	83,801	79,894
Miscellaneous	13,648	6,286
	<u>677,829</u>	<u>620,095</u>
Total local sources	2,879,629	2,685,543
State sources:		
State aid	19,339,913	19,103,076
Special education - transportation	406,943	388,431
Special education - itinerants	103,174	58,230
FICA/Retirement reimbursement	45,412	45,412
Total state sources	<u>19,895,442</u>	<u>19,595,149</u>
Federal sources:		
Title I	179,636	160,947
Title I C - Migrant	158,152	84,113
Title IIA	93,735	92,413
Title II D	1,745	1,646
Title III	52,860	50,851
Title V	575	583
Adult basic education	102,000	82,800
I.D.E.A. program	658,255	611,012
Medicaid - school based	3,801	1,711
Adult English literacy/civics education	10,600	10,600
Service learning grant	7,858	9,315
Drug free schools	5,951	7,984
Total federal sources	<u>1,275,168</u>	<u>1,113,975</u>

(Continued)

SPARTA AREA SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2008 and 2007

	2008	2007
Interdistrict sources:		
Special education - county	\$ 1,367,244	\$ 1,295,486
Special education - tuition	152,240	190,385
Special education - shared costs	59,900	75,044
Durant settlement reimbursements	4,290	4,386
Medicaid fee for service	153,177	130,998
Other grants	8,976	1,740
Total interdistrict sources	<u>1,745,827</u>	<u>1,698,039</u>
 Total Revenues	 <u><u>\$ 25,796,066</u></u>	 <u><u>\$ 25,092,706</u></u>

SPARTA AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 3,131,250	\$ 2,657,197
Employee benefits	1,611,494	1,384,043
Purchased services	61,435	49,035
Supplies	140,864	103,467
Miscellaneous	2,736	2,325
	<u>4,947,779</u>	<u>4,196,067</u>
Middle school:		
Salaries	1,918,160	2,403,265
Employee benefits	821,117	1,025,232
Purchased services	30,923	26,777
Supplies	31,930	68,551
	<u>2,802,130</u>	<u>3,523,825</u>
High school:		
Salaries	2,559,032	2,514,229
Employee benefits	1,091,072	1,097,436
Purchased services	33,439	32,181
Supplies	79,283	55,091
Miscellaneous	754	822
	<u>3,763,580</u>	<u>3,699,759</u>
Preschool:		
Salaries	68,565	63,564
Employee benefits	31,342	30,492
Purchased services	98	272
Supplies	1,095	1,666
Miscellaneous	2,481	250
	<u>103,581</u>	<u>96,244</u>
Summer school:		
Salaries	18,328	27,033
Employee benefits	4,412	6,524
Supplies	286	1,207
	<u>23,026</u>	<u>34,764</u>
Total basic programs	<u>11,640,096</u>	<u>11,550,659</u>
Added needs:		
Special education:		
Salaries	1,830,778	1,866,880
Employee benefits	916,626	923,913
Purchased services	25,251	16,091
Supplies	11,968	14,213
Payments to other school districts	122,757	146,836
	<u>2,907,380</u>	<u>2,967,933</u>

(Continued)

SPARTA AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Compensatory education:		
Salaries	\$ 293,653	\$ 287,238
Employee benefits	151,662	150,693
Purchased services	2,055	1,911
Supplies	4,647	5,248
	<u>452,017</u>	<u>445,090</u>
Total added needs	3,359,397	3,413,023
Adult education services:		
Basic:		
Salaries	118,017	105,798
Employee benefits	29,476	26,622
Purchased services	3,051	4,900
Supplies	5,895	11,536
Miscellaneous	797	21
	<u>157,236</u>	<u>148,877</u>
Secondary:		
Salaries	32,275	35,532
Employee benefits	4,283	5,656
Purchased services	17,382	18,143
Supplies	2,969	7,218
Indirect cost	33,999	38,204
	<u>90,908</u>	<u>104,753</u>
Total adult education services	248,144	253,630
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	391,702	380,219
Employee benefits	178,372	160,737
Purchased services	8,489	3,916
Supplies	16,487	20,936
Miscellaneous	-	(294)
	<u>595,050</u>	<u>565,514</u>
Health services:		
Salaries	40,348	38,750
Employee benefits	9,262	9,168
Purchased services	255	509
Supplies	7,143	1,829
Payments to other school districts	162,155	150,446
	<u>219,163</u>	<u>200,702</u>
Psychological services:		
Purchased services	62	157
Supplies	2,500	1,803
Payments to other school districts	213,863	212,063
	<u>216,425</u>	<u>214,023</u>

(Continued)

SPARTA AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Speech pathology services:		
Purchased services	\$ -	\$ 301
Supplies	1,101	836
Payments to other school districts	315,902	290,933
	<u>317,003</u>	<u>292,070</u>
Social worker services:		
Purchased services	250	150
Supplies	141	222
Payments to other school districts	343,828	343,578
	<u>344,219</u>	<u>343,950</u>
Total pupil services	1,691,860	1,616,259
Instructional staff services:		
Professional staff development:		
Salaries	20,245	18,700
Employee benefits	19,322	21,129
Purchased services	10,920	5,140
Supplies	2,204	561
Miscellaneous	1,332	2,056
	<u>54,023</u>	<u>47,586</u>
Library:		
Salaries	137,398	144,301
Employee benefits	103,204	105,673
Purchased services	1,671	1,498
Supplies	20,606	24,957
	<u>262,879</u>	<u>276,429</u>
Supervision/direction of instruction:		
Salaries	342,333	265,668
Employee benefits	114,508	108,391
Purchased services	5,137	5,570
Supplies	-	434
Miscellaneous	480	-
	<u>462,458</u>	<u>380,063</u>
Total instructional staff services	779,360	704,078
General administrative services:		
Board of education:		
Salaries	5,520	240
Employee benefits	158,960	72,574
Purchased services	54,259	76,844
Supplies	643	356
Miscellaneous	18,929	18,919
	<u>238,311</u>	<u>168,933</u>

(Continued)

SPARTA AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Executive administration:		
Salaries	\$ 193,767	\$ 236,026
Employee benefits	53,715	89,844
Purchased services	3,124	1,403
Supplies	322	860
Miscellaneous	376	1,373
	<u>251,304</u>	<u>329,506</u>
Total general administrative services	489,615	498,439
School administrative services:		
Office of the principal:		
Salaries	994,267	961,084
Employee benefits	498,692	504,107
Purchased services	5,881	4,212
Office supplies	17,297	16,187
Miscellaneous	2,895	2,531
	<u>1,519,032</u>	<u>1,488,121</u>
Total school administrative services		
Business services:		
Fiscal services:		
Salaries	131,754	123,918
Employee benefits	76,537	58,079
Purchased services	17,338	4,623
Supplies	1,620	2,180
Miscellaneous	714	30
	<u>227,963</u>	<u>188,830</u>
Internal services:		
Purchased services	73,275	61,278
Supplies	19,380	13,344
Miscellaneous	3,757	4,755
	<u>96,412</u>	<u>79,377</u>
Other business services:		
Miscellaneous	66,879	50,462
	<u>66,879</u>	<u>50,462</u>
Total business services	391,254	318,669
Operation and maintenance services:		
Operation and maintenance:		
Salaries	204,623	523,383
Employee benefits	92,849	291,558
Purchased services	729,403	414,992
Supplies	587,004	431,294
Miscellaneous	552	131
	<u>1,614,431</u>	<u>1,661,358</u>
Total operation and maintenance services		

(Continued)

SPARTA AREA SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Pupil transportation services:		
Pupil transportation:		
Salaries	\$ 531,867	\$ 521,808
Employee benefits	223,925	217,409
Purchased services	36,248	40,868
Supplies	212,793	176,384
New buses	169,522	508,257
Miscellaneous	5,490	6,172
Payments to other school districts	602,395	483,192
Total pupil transportation services	1,782,240	1,954,090
Central services:		
Staff/personnel services:		
Salaries	146,485	110,875
Employee benefits	63,148	41,393
Purchased services	19,953	790
Supplies	27	462
Miscellaneous	1,318	425
	230,931	153,945
Technology services:		
Salaries	78,442	72,737
Employee benefits	21,362	20,028
Purchased services	22,710	11,070
Supplies	34,288	19,214
New equipment and furniture	66,919	80,186
	223,721	203,235
Total central services	454,652	357,180
Community services:		
Community recreation:		
Salaries	1,235	3,584
Employee benefits	261	873
Supplies	24,121	20,665
	25,617	25,122
Custody/care of children:		
Salaries	216,105	175,730
Employee benefits	51,997	43,088
Purchased services	5,800	-
Supplies	21,734	15,333
Miscellaneous	1,485	191
	297,121	234,342
Total community services	322,738	259,464
Interdistrict:		
Other	14,224	28,937
Total Expenditures	\$ 24,307,043	\$ 24,103,907

SPARTA AREA SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	Special Revenue	
	Food Service	Athletics
Assets		
Cash equivalents, deposits and investments	\$ 125,394	\$ -
Taxes receivable	-	-
Due from other funds	-	-
Due from other governmental units	5,711	-
Inventory	15,405	-
Total Assets	\$ 146,510	\$ -
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 448	\$ -
Deferred revenue	3,852	-
Total Liabilities	4,300	-
Fund Balances		
Reserved for debt service	-	-
Reserved for capital outlay	-	-
Unreserved:		
Undesignated	142,210	-
Total Fund Balances	142,210	-
Total Liabilities and Fund Balances	\$ 146,510	\$ -

Debt Service				Capital Projects Building and Site	Total
2003	2004	2006	2007		
\$ 53,016	\$ 78,324	\$ 42,793	\$ 56,402	\$ 499,518	\$ 855,447
2,192	2,884	897	988	985	7,946
-	-	-	-	455	455
-	-	-	-	-	5,711
-	-	-	-	-	15,405
<u>\$ 55,208</u>	<u>\$ 81,208</u>	<u>\$ 43,690</u>	<u>\$ 57,390</u>	<u>\$ 500,958</u>	<u>\$ 884,964</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 448
2,192	2,884	897	988	985	11,798
<u>2,192</u>	<u>2,884</u>	<u>897</u>	<u>988</u>	<u>985</u>	<u>12,246</u>
53,016	78,324	42,793	56,402	-	230,535
-	-	-	-	499,973	499,973
-	-	-	-	-	142,210
<u>53,016</u>	<u>78,324</u>	<u>42,793</u>	<u>56,402</u>	<u>499,973</u>	<u>872,718</u>
<u>\$ 55,208</u>	<u>\$ 81,208</u>	<u>\$ 43,690</u>	<u>\$ 57,390</u>	<u>\$ 500,958</u>	<u>\$ 884,964</u>

SPARTA AREA SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2008

	Special Revenue			
	Food Service	Athletics	2000	2001
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest earnings	5,734	-	-	-
Sales and admissions	477,579	160,331	-	-
Total local sources	483,313	160,331	-	-
State sources	50,801	-	-	-
Federal sources	393,262	-	-	-
Total Revenues	927,376	160,331	-	-
Expenditures				
Current:				
Food service	928,003	-	-	-
Athletics	-	558,770	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal repayment	-	-	125,000	110,000
Interest and fiscal charges	-	-	21,619	15,386
Total Expenditures	928,003	558,770	146,619	125,386
Excess (Deficiency) of Revenues Over Expenditures	(627)	(398,439)	(146,619)	(125,386)
Other Financing Sources (Uses)				
Transfers in	-	398,439	146,619	125,386
Transfers out	(30,000)	-	-	-
Total Other Financing Sources (Uses)	(30,000)	398,439	146,619	125,386
Net Change in Fund Balances	(30,627)	-	-	-
Fund Balances, July 1	172,837	-	-	-
Fund Balances, June 30	\$ 142,210	\$ -	\$ -	\$ -

Debt Service				Capital Projects Building and Site	Total
2003	2004	2006	2007		
\$ 849,777	\$ 895,630	\$ 446,721	\$ 491,392	\$ 382,467	\$ 3,065,987
10,511	8,822	2,375	3,080	19,390	49,912
-	-	-	-	-	637,910
860,288	904,452	449,096	494,472	401,857	3,753,809
-	-	-	-	-	50,801
-	-	-	-	-	393,262
860,288	904,452	449,096	494,472	401,857	4,197,872
-	-	-	-	-	928,003
-	-	-	-	-	558,770
-	-	-	-	32	32
805,000	300,000	-	35,000	-	1,375,000
45,201	695,748	406,444	403,145	-	1,587,543
850,201	995,748	406,444	438,145	32	4,449,348
10,087	(91,296)	42,652	56,327	401,825	(251,476)
-	-	-	-	-	670,444
-	-	-	-	(272,005)	(302,005)
-	-	-	-	(272,005)	368,439
10,087	(91,296)	42,652	56,327	129,820	116,963
42,929	169,620	141	75	370,153	755,755
\$ 53,016	\$ 78,324	\$ 42,793	\$ 56,402	\$ 499,973	\$ 872,718

SPARTA AREA SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 479,200	\$ 483,313	\$ 4,113
State sources	52,517	50,801	(1,716)
Federal sources	390,524	393,262	2,738
Total Revenues	<u>922,241</u>	<u>927,376</u>	<u>5,135</u>
Expenditures			
Current:			
Food service	<u>914,954</u>	<u>928,003</u>	<u>(13,049)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,287</u>	<u>(627)</u>	<u>(7,914)</u>
Other Financing Uses			
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(22,713)</u>	<u>(30,627)</u>	<u>(7,914)</u>
Fund Balances, July 1	<u>172,837</u>	<u>172,837</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 150,124</u></u>	<u><u>\$ 142,210</u></u>	<u><u>\$ (7,914)</u></u>

SPARTA AREA SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 159,860	\$ 160,331	\$ 471
Expenditures			
Current:			
Athletics	596,280	558,770	37,510
Excess (Deficiency) of Revenues Over Expenditures	(436,420)	(398,439)	37,981
Other Financing Sources			
Transfers in	436,420	398,439	(37,981)
Net Change in Fund Balances	-	-	-
Fund Balances, July 1	-	-	-
Fund Balances, June 30	\$ -	\$ -	\$ -

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

SPARTA AREA SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 125,394	\$ 150,848
Due from other governmental units	5,711	6,010
Inventory	<u>15,405</u>	<u>20,603</u>
Total Assets	<u><u>\$ 146,510</u></u>	<u><u>\$ 177,461</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 448	\$ 386
Deferred revenue	<u>3,852</u>	<u>4,238</u>
Total Liabilities	<u>4,300</u>	<u>4,624</u>
Fund Balances		
Unreserved:		
Undesignated	<u>142,210</u>	<u>172,837</u>
Total Liabilities and Fund Balances	<u><u>\$ 146,510</u></u>	<u><u>\$ 177,461</u></u>

SPARTA AREA SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 265,582	\$ 251,106
Adult lunches	13,910	11,431
Milk	10,356	10,341
Ala carte	182,720	165,209
Banquets	851	1,355
Other	4,160	6,565
	<u>477,579</u>	<u>446,007</u>
Interest earnings:		
Interest on deposits and investments	5,734	7,585
Total local sources	<u>483,313</u>	<u>453,592</u>
State sources	50,801	48,312
Federal sources	<u>393,262</u>	<u>381,381</u>
Total Revenues	<u>927,376</u>	<u>883,285</u>
Expenditures		
Current:		
Food service:		
Salaries	285,046	248,438
Employee benefits	171,166	161,676
Purchased services	7,315	9,803
Supplies	462,499	409,222
Miscellaneous	1,977	703
	<u>928,003</u>	<u>829,842</u>
Total Expenditures	<u>928,003</u>	<u>829,842</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(627)</u>	<u>53,443</u>
Other Financing Uses		
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>
Net Change in Fund Balances	<u>(30,627)</u>	<u>23,443</u>
Fund Balances, July 1	<u>172,837</u>	<u>149,394</u>
Fund Balances, June 30	<u><u>\$ 142,210</u></u>	<u><u>\$ 172,837</u></u>

SPARTA AREA SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ -	\$ -
	<u> </u>	<u> </u>
Liabilities and Fund Balances		
Liabilities	\$ -	\$ -
	<u> </u>	<u> </u>
Fund Balances		
Unreserved:		
Undesignated	-	-
	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ -	\$ -
	<u> </u>	<u> </u>

SPARTA AREA SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Sales and admissions:		
Athletic admissions	\$ 75,536	\$ 63,513
Fees and sales	40,997	44,270
Donations	43,595	44,684
Other	203	90
Total Revenues	<u>160,331</u>	<u>152,557</u>
Expenditures		
Current:		
Athletics:		
Salaries	331,327	347,327
Employee benefits	108,472	114,763
Purchased services	37,270	43,228
Supplies	66,279	45,156
Miscellaneous	15,422	19,455
Total Expenditures	<u>558,770</u>	<u>569,929</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(398,439)</u>	<u>(417,372)</u>
Other Financing Sources		
Transfers in	<u>398,439</u>	<u>417,372</u>
Net Change in Fund Balances	-	-
Fund Balances, July 1	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

SPARTA AREA SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2008

	<u>2003</u>	<u>2004</u>	<u>2006</u>	<u>2007</u>
Assets				
Cash equivalents, deposits and investments	\$ 53,016	\$ 78,324	\$ 42,793	\$ 56,402
Taxes receivable	<u>2,192</u>	<u>2,884</u>	<u>897</u>	<u>988</u>
Total Assets	<u><u>\$ 55,208</u></u>	<u><u>\$ 81,208</u></u>	<u><u>\$ 43,690</u></u>	<u><u>\$ 57,390</u></u>
 Liabilities and Fund Balances				
Liabilities				
Deferred revenue	<u>\$ 2,192</u>	<u>\$ 2,884</u>	<u>\$ 897</u>	<u>\$ 988</u>
Fund Balances				
Reserved for debt service	<u>53,016</u>	<u>78,324</u>	<u>42,793</u>	<u>56,402</u>
Total Liabilities and Fund Balances	<u><u>\$ 55,208</u></u>	<u><u>\$ 81,208</u></u>	<u><u>\$ 43,690</u></u>	<u><u>\$ 57,390</u></u>

Totals	
2008	2007
\$ 230,535	\$ 212,765
6,961	2,455
<u>\$ 237,496</u>	<u>\$ 215,220</u>

<u>\$ 6,961</u>	<u>\$ 2,455</u>
<u>230,535</u>	<u>212,765</u>
<u>\$ 237,496</u>	<u>\$ 215,220</u>

SPARTA AREA SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	2000	2001	2003	2004
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ -	\$ -	\$ 836,338	\$ 880,351
Industrial facilities taxes	-	-	10,874	11,447
Delinquent property taxes	-	-	396	876
Other taxes	-	-	588	1,288
Interest on delinquent taxes	-	-	1,581	1,668
	-	-	849,777	895,630
Interest earnings:				
Interest on deposits and investments	-	-	10,511	8,822
Total Revenues	-	-	860,288	904,452
Expenditures				
Debt service:				
Principal repayment	125,000	110,000	805,000	300,000
Interest and fiscal charges:				
Interest expense	21,344	15,136	44,875	695,375
Paying agent fees	275	250	250	212
Tax refunds	-	-	76	161
Bond issuance costs	-	-	-	-
Underwriter's fees	-	-	-	-
Total Expenditures	146,619	125,386	850,201	995,748
Excess (Deficiency) of Revenues Over Expenditures	(146,619)	(125,386)	10,087	(91,296)
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Transfers in	146,619	125,386	-	-
Bond discount	-	-	-	-
Payments to escrow agent	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	146,619	125,386	-	-
Net Change in Fund Balances	-	-	10,087	(91,296)
Fund Balances, July 1	-	-	42,929	169,620
Fund Balances, June 30	\$ -	\$ -	\$ 53,016	\$ 78,324

2006	2007	Totals	
		2008	2007
\$ 440,175	\$ 484,192	\$2,641,056	\$ 2,622,061
5,723	6,296	34,340	35,881
-	-	1,272	2,363
-	-	1,876	3,453
823	904	4,976	5,261
446,721	491,392	2,683,520	2,669,019
2,375	3,080	24,788	11,349
449,096	494,472	2,708,308	2,680,368
-	35,000	1,375,000	1,255,000
406,219	402,920	1,585,869	1,503,910
225	225	1,437	1,211
-	-	237	1,531
-	-	-	160,483
-	-	-	100,000
406,444	438,145	2,962,543	3,022,135
42,652	56,327	(254,235)	(341,767)
-	-	-	20,000,000
-	-	-	21,671
-	-	272,005	547,359
-	-	-	(230,337)
-	-	-	(19,620,224)
-	-	-	(274,697)
-	-	272,005	443,772
42,652	56,327	17,770	102,005
141	75	212,765	110,760
<u>\$ 42,793</u>	<u>\$ 56,402</u>	<u>\$ 230,535</u>	<u>\$ 212,765</u>

CAPITAL PROJECTS FUNDS

Building and Site—to account for property tax revenues and interest earnings used to finance building restoration projects.

2004 Construction—to account for bond proceeds used to finance building construction and improvement projects.

SPARTA AREA SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 499,518	\$ 368,286
Taxes receivable	985	339
Due from other funds	<u>455</u>	<u>1,867</u>
Total Assets	<u><u>\$ 500,958</u></u>	<u><u>\$ 370,492</u></u>
 Liabilities and Fund Balances		
Liabilities		
Deferred revenue	<u>\$ 985</u>	<u>\$ 339</u>
Fund Balances		
Reserved for capital outlay	<u>499,973</u>	<u>370,153</u>
Total Liabilities and Fund Balances	<u><u>\$ 500,958</u></u>	<u><u>\$ 370,492</u></u>

SPARTA AREA SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 376,434	\$ 357,064
Industrial facilities taxes	4,895	4,886
Delinquent property taxes	173	322
Other taxes	256	466
Interest on delinquent taxes	709	716
	<u>382,467</u>	<u>363,454</u>
Interest earnings:		
Interest on deposits and investments	<u>19,390</u>	<u>9,953</u>
Total Revenues	<u>401,857</u>	<u>373,407</u>
Expenditures		
Capital outlay:		
Building improvements	-	6,357
Tax refunds	<u>32</u>	<u>207</u>
Total Expenditures	<u>32</u>	<u>6,564</u>
Excess of Revenues Over Expenditures	<u>401,825</u>	<u>366,843</u>
Other Financing Sources (Uses)		
Transfers out	<u>(272,005)</u>	<u>(272,662)</u>
Net Change in Fund Balances	129,820	94,181
Fund Balances, July 1	<u>370,153</u>	<u>275,972</u>
Fund Balances, June 30	<u><u>\$ 499,973</u></u>	<u><u>\$ 370,153</u></u>

SPARTA AREA SCHOOLS
2004 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 994,395	\$ 10,160,452
Accrued interest receivable	-	68,683
Prepaid expenditures	-	237,341
Total Assets	<u><u>\$ 994,395</u></u>	<u><u>\$ 10,466,476</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ -</u>	<u>\$ 894,520</u>
Fund Balances		
Reserved for capital outlay	<u>994,395</u>	<u>9,571,956</u>
Total Liabilities and Fund Balances	<u><u>\$ 994,395</u></u>	<u><u>\$ 10,466,476</u></u>

SPARTA AREA SCHOOLS
2004 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 201,940	\$ 890,530
Other local sources:		
Donations	-	21,886
Reimbursements	3,334	-
Total Revenues	<u>205,274</u>	<u>912,416</u>
Expenditures		
Capital outlay:		
Purchased services	29,883	36,576
Construction manager	455,338	1,107,648
Legal services	-	1,010
Architect services	239,306	310,044
Building improvements	7,067,871	12,764,403
Equipment and furniture	990,437	236,044
Total Expenditures	<u>8,782,835</u>	<u>14,455,725</u>
Net Change in Fund Balances	(8,577,561)	(13,543,309)
Fund Balances, July 1	<u>9,571,956</u>	<u>23,115,265</u>
Fund Balances, June 30	<u><u>\$ 994,395</u></u>	<u><u>\$ 9,571,956</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

SPARTA AREA SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2008

	<u>Balances</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2008</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 492,119</u>	<u>\$ 415,041</u>	<u>\$ 436,669</u>	<u>\$ 470,491</u>
Liabilities				
Due to student groups	<u>\$ 492,119</u>	<u>\$ 415,041</u>	<u>\$ 436,669</u>	<u>\$ 470,491</u>

OTHER INFORMATION

SPARTA AREA SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	Kent County			
	Algoma	Alpine	Sparta	Tyrone
Taxable Valuations				
Operating	\$ 10,558,959	\$ 13,916,112	\$ 86,145,929	\$ 28,023
Debt Service/Building and Site	122,009,948	51,038,638	241,157,794	503,439
Rates (Mills)				
General Fund				
2003 Debt Service Fund				
2004 Debt Service Fund				
2006 Debt Service Fund				
2007 Debt Service Fund				
Building and Site Fund				
Taxes Levied 2007 Rolls				
General Fund	\$ 189,898	\$ 250,489	\$ 1,544,054	\$ 522
2003 Debt Service Fund	231,637	96,972	458,190	956
2004 Debt Service Fund	243,828	102,075	482,305	1,007
2006 Debt Service Fund	121,914	51,038	241,153	503
2007 Debt Service Fund	134,105	56,141	265,268	554
Building and Site Fund	104,261	43,647	206,234	431
	1,025,643	600,362	3,197,204	3,973
Taxes Uncollected 2007 Rolls				
General Fund	-	6,481	9,308	-
2003 Debt Service Fund	-	684	983	-
2004 Debt Service Fund	-	721	1,034	-
2006 Debt Service Fund	-	360	517	-
2007 Debt Service Fund	-	396	569	-
Building and Site Fund	-	308	443	-
	-	8,950	12,854	-
Taxes Collected 2007 Rolls				
General Fund	189,898	244,008	1,534,746	522
2003 Debt Service Fund	231,637	96,288	457,207	956
2004 Debt Service Fund	243,828	101,354	481,271	1,007
2006 Debt Service Fund	121,914	50,678	240,636	503
2007 Debt Service Fund	134,105	55,745	264,699	554
Building and Site Fund	104,261	43,339	205,791	431
	1,025,643	591,412	3,184,350	3,973
Delinquent Taxes Collected				
General Fund	-	17	1,876	-
2003 Debt Service Fund	-	2	200	-
2004 Debt Service Fund	-	4	454	-
2006 Debt Service Fund	-	-	-	-
2007 Debt Service Fund	-	-	-	-
Building and Site Fund	-	1	89	-
	-	24	2,619	-

(Continued)

Ottawa County		
Chester	Wright	Total
\$ 4,586,619	\$ 436,152	\$ 115,671,794
24,313,210	2,166,517	441,189,546
		18.0000
		1.9000
		2.0000
		1.0000
		1.1000
		0.8552
		24.8552
\$ 82,559	\$ 7,851	\$ 2,075,373
46,195	4,116	838,066
48,626	4,333	882,174
24,313	2,166	441,087
26,745	2,383	485,196
20,793	1,853	377,219
249,231	22,702	5,099,115
369	-	16,158
39	-	1,706
41	-	1,796
20	-	897
23	-	988
18	-	769
510	-	22,314
82,190	7,851	2,059,215
46,156	4,116	836,360
48,585	4,333	880,378
24,293	2,166	440,190
26,722	2,383	484,208
20,775	1,853	376,450
248,721	22,702	5,076,801
76	169	2,138
8	18	228
18	41	517
-	-	-
-	-	-
4	8	102
106	236	2,985

SPARTA AREA SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	Kent County			
	Algoma	Alpine	Sparta	Tyrone
Total Taxes Collected				
General Fund	\$ 189,898	\$ 244,025	\$ 1,536,622	\$ 522
2003 Debt Service Fund	231,637	96,290	457,407	956
2004 Debt Service Fund	243,828	101,358	481,725	1,007
2006 Debt Service Fund	121,914	50,678	240,636	503
2007 Debt Service Fund	134,105	55,745	264,699	554
Building and Site Fund	104,261	43,340	205,880	431
	<u>\$ 1,025,643</u>	<u>\$ 591,436</u>	<u>\$ 3,186,969</u>	<u>\$ 3,973</u>
Taxes Uncollected – June 30, 2008				
General Fund:				
2007	\$ -	\$ 6,481	\$ 9,308	\$ -
2006	90	-	3,765	-
2005	-	90	411	-
	<u>90</u>	<u>6,571</u>	<u>13,484</u>	<u>-</u>
2003 Debt Service Fund:				
2007	-	684	983	-
2006	10	-	402	-
2005	-	10	48	-
	<u>10</u>	<u>694</u>	<u>1,433</u>	<u>-</u>
2004 Debt Service Fund:				
2007	-	721	1,034	-
2006	21	-	912	-
2005	-	21	96	-
	<u>21</u>	<u>742</u>	<u>2,042</u>	<u>-</u>
2006 Debt Service Fund:				
2007	-	360	517	-
2006	-	-	-	-
2005	-	-	-	-
	<u>-</u>	<u>360</u>	<u>517</u>	<u>-</u>
2007 Debt Service Fund:				
2007	-	396	569	-
2006	-	-	-	-
2005	-	-	-	-
	<u>-</u>	<u>396</u>	<u>569</u>	<u>-</u>
Building and Site Fund:				
2007	-	308	443	-
2006	5	-	180	-
2005	-	4	19	-
	<u>5</u>	<u>312</u>	<u>642</u>	<u>-</u>
Total Taxes Uncollected	<u>\$ 126</u>	<u>\$ 9,075</u>	<u>\$ 18,687</u>	<u>\$ -</u>

Ottawa County		
Chester	Wright	Total
\$ 82,266	\$ 8,020	\$ 2,061,353
46,164	4,134	836,588
48,603	4,374	880,895
24,293	2,166	440,190
26,722	2,383	484,208
20,779	1,861	376,552
<u>\$ 248,827</u>	<u>\$ 22,938</u>	<u>\$ 5,079,786</u>
\$ 369	\$ -	\$ 16,158
-	-	3,855
161	-	662
<u>530</u>	<u>-</u>	<u>20,675</u>
39	-	1,706
-	-	412
16	-	74
<u>55</u>	<u>-</u>	<u>2,192</u>
41	-	1,796
-	-	933
38	-	155
<u>79</u>	<u>-</u>	<u>2,884</u>
20	-	897
-	-	-
-	-	-
<u>20</u>	<u>-</u>	<u>897</u>
23	-	988
-	-	-
-	-	-
<u>23</u>	<u>-</u>	<u>988</u>
18	-	769
-	-	185
8	-	31
<u>26</u>	<u>-</u>	<u>985</u>
<u>\$ 733</u>	<u>\$ -</u>	<u>\$ 28,621</u>

Hungerford, Aldrin, Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 20, 2008

The Board of Education
Sparta Area Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Sparta Area Schools as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated June 1, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 1, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Sparta Area Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

During the course of our audit field work, we encountered difficulties in obtaining financial reports and other data from the District's accounting software system.

Disagreements with Management

We encountered no significant disagreements in dealing with management in performing and completing our audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated October 20, 2008.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by District management.

General Fund

1. \$36,410 to record 2007-08 Medicaid receivable from KISD at June 30, 2008.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the District's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Current auditing standards (SAS No. 112 "Communicating Internal Control Related Matters Identified in an Audit") also require that auditors communicate, in writing, any significant deficiencies and/or material weaknesses in the design or operation of an entity's internal controls discovered during the audit. As we found no significant deficiencies or material weaknesses during the audit, no SAS 112 letter is required.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation, evaluation and documentation of the District's significant areas of internal controls. Our findings and comments regarding the District's internal control processes and procedures based on these new auditing standards are detailed in Appendix A, attached to this letter.

Other Comments

The District General Fund balance increased by \$1,120,584 to \$4,448,806 at June 30, 2008. This balance represents approximately 16.97 percent of the District's 2008-09 expenditure budget (up from 13.4 percent at June 30, 2007). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Sparta Area Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Closing

This communication is intended solely for the information and use of the Sparta Area Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

Hungerford, Alden, Nichols & Weston, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
SPARTA AREA SCHOOLS
For the Year Ended June 30, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthrough" the process as it is being performed.

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Sparta Area Schools are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the District's internal controls, based on our observations during the 2007-08 audit process.

GENERAL CONTROLS

- Documentation of the internal control system
- Segregation of duties
- Independent monitoring of accounting functions
 - **Due to the limited number of personnel in the District business office, independent monitoring of the Business Manager's many accounting functions is difficult. We recommend that the District consider cross-training and job sharing/swapping within the business office as a means to achieving the monitoring/review procedures required for strong internal controls.**

BUDGETS

- Budget adoptions, amendments for all required funds
- Budget accounting principles consistent with actual transactions
- Documented authorization for all budget amendments

CASH

- Cash collection/receipting procedures
 - **Periodic monitoring of the cash collection/deposit process should be completed by business office personnel in the areas outside of the central office where cash is commonly collected (food service, athletics, student activities, community enrichment, preschool/childcare). Uniform documented procedures should be established to insure the safety of District funds in each of these areas.**

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
SPARTA AREA SCHOOLS
For the Year Ended June 30, 2008

- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 - **The District Investment Policy should be reviewed annually by the Business Manager and the Board of Education (and/or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in District governance (a Board of Education or Finance Committee member) should be responsible for reviewing District investments on a regular basis to insure that the requirements of the Investment Policy are being followed. This process should include a review of FDIC insurance coverage with each financial institution utilized by the District.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
- Property tax collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
SPARTA AREA SCHOOLS
For the Year Ended June 30, 2008

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

GRANTS AND SIMILAR PROGRAMS

- The District has procedures for identifying federal, state and other awards
- The District has accounting procedures for identifying and recording receipts and expenditures of program funds separately and in the appropriate cost category for each award or grant
- The District has a documented time schedule for filing financial reports with Grantors and policies for identifying special requirements of grants
- District funds are accounted for in separate grant control accounts
- The District has established controls to preclude charging federal award Programs with unallowable costs and expenditures
- The District has responsible individuals who monitor matching requirements, levels of effort, and earmarking limitations to insure District compliance with applicable laws and regulations
- Reconciliations of grant financial reports with supporting accounting records Are prepared, reviewed, and approved by a responsible official before filing
- Financial reports and claims for advances and reimbursements agree with the supporting financial records and general ledger
- A responsible official approves requests for advances or reimbursements.
- The District's calculation of required District funds considers updated estimates of allowable program costs
- A responsible member of management reviews costs charged to direct and indirect cost centers in accordance with applicable grant requirements and governmental management circulars pertaining to cost principles
- A responsible member of management uses a set checklist to review and approve the provision of services to ensure that recipients are eligible under specific program requirements
- The District's employee time allocation method is in accordance with the Standards outlined in federal circulars or agency regulations

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
SPARTA AREA SCHOOLS
For the Year Ended June 30, 2008

INFORMATIONAL TECHNOLOGY

- Computer access is limited to specific persons and individuals have access only
 - **The District should consider further strengthening the process of assigning user access rights to ensure that access is being granted based on an employee's job responsibilities. Access should be limited to applications and files that are necessary to perform each individual's daily job duties.**
- Passwords are required to be complex and to be changed at regular intervals
 - **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of Applications and data files
 - **The District should develop a comprehensive back-up and recovery and data retention plan as part of a documented disaster recovery plan.**
- There is a documented disaster recovery plan and it has been tested
 - **A formal disaster recovery plan should be created and updated on an annual basis to ensure the timely recovery of data and the functionality of the District's information technology assets.**
- The district has well defined policies and procedures in place for which address performing patches and upgrades, user access administration, general backup and recovery operations and timelines for performing regular security and configuration settings reviews.
 - **The district should consider taking additional steps to establish a defined set of standard operating procedures and policies and evaluate their effectiveness throughout the year. Doing so will help to establish a stable and secure IT operating environment that consistently produces reliable data and reduces the risk of fraud or the loss of sensitive data.**

STUDENT ACTIVITY ACCOUNTS

- **The Student Activity Fund should be used only for "student activities": those funds which are raised by students, and administered by students and their advisors, to be used for the specific benefit for which the funds are raised. Purchases such as athletic supplies and/or equipment and instructional supplies and/or equipment should be purchased from budgeted Athletic or General Fund expenditure accounts. If specific funds are raised or earmarked for these purchases, those funds should be deposited in the Athletics of General Fund as donations from the funding source. All purchases made from Student Activity accounts should be in accordance with District purchase order and expenditure approval policies, and the payment of payroll/employee benefits through the Student Activity Fund should be discouraged. Activities that do not directly involve students should not exist in the Student Activity Fund, but should be recorded in the District fund that the activity benefits. Each Student Activity account should have a documented use for its receipts and remaining balances, to insure the proper custody and disbursement of the funds on an ongoing basis.**

SPARTA AREA SCHOOLS
Kent County, Michigan

Auditor's Report On Compliance
For Federal Grant Programs

For the year ended June 30, 2008

TABLE OF CONTENTS

SPARTA AREA SCHOOLS

For the year ended June 30, 2008

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	12
Notes to Schedule of Expenditures of Federal Awards	14

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 20, 2008

The Board of Education
Sparta Area Schools
Kent County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sparta Area Schools, as of and for the year ended June 30, 2008, which collectively comprise Sparta Area School's basic financial statements and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sparta Area School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sparta Area School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sparta Area School's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The Board of Education
Sparta Area Schools
October 20, 2008

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sparta Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Sparta Area Schools in a separate letter dated October 20, 2008.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldino, Nichols & Austin, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

October 20, 2008

The Board of Education
Sparta Area Schools
Kent County, Michigan

Compliance

We have audited the compliance of Sparta Area Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Sparta Area School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sparta Area School's management. Our responsibility is to express an opinion on Sparta Area School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sparta Area School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sparta Area School's compliance with those requirements.

In our opinion, Sparta Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Sparta Area Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sparta Area School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sparta Area School's control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sparta Area Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise Sparta Area School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SPARTA AREA SCHOOLS

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I Part A:	84.010	
081530 0708		<u>\$ 185,670</u>
Title I Part C – Migrant:	84.011	
081890 0708		<u>176,530</u>
Title II A:	84.367	
070520 0607		92,413
080520 0708		<u>93,735</u>
Total Title IIA		<u>186,148</u>
Title II D:	84.318	
084290 0708		<u>1,745</u>
Title III Limited English:	84.365A	
080580 0708		52,860
Pass through to Subrecipients		<u>—</u>
Total Title III Limited English		<u>52,860</u>
Title V:	84.298	
080250 0708		<u>575</u>
English Literacy/Civics Education:	84.002	
081120 8500087		<u>10,600</u>
Adult Basic Education:	84.002	
081130 810067		<u>102,000</u>
Total Passed Through MDE		<u>716,128</u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ —	\$ —	\$ 179,636	\$ 179,636	\$ —
—	—	158,152	158,152	—
7,468	92,413	—	7,468	—
—	—	93,735	93,735	—
7,468	92,413	93,735	101,203	—
—	—	1,745	1,745	—
—	—	39,427	39,427	—
—	—	13,433	13,433	—
—	—	52,860	52,860	—
—	—	575	575	—
—	—	10,600	10,600	—
—	—	102,000	102,000	—
7,468	92,413	599,303	606,771	—

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**SPARTA AREA SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Passed through Kent Intermediate School District (KISD):		
Safe and Drug Free Schools and Communities Act:	84.186A	
072860 0607 Program		\$ 5,454
082860 0708 Program		5,951
		<hr/>
Total Safe and Drug Free Schools and Communities Act		11,405
		<hr/>
Special Education Cluster:		
I.D.E.A. – Flow Through:	84.027	
Flow Through – 080450 0708		634,477
		<hr/>
I.D.E.A. – Preschool:	84.173	
Preschool – 080460 0708		23,778
		<hr/>
Total Special Education Cluster		658,255
		<hr/>
Total Passed Through Intermediate School District		669,660
		<hr/>
Total U.S. Department of Education		1,385,788
		<hr/>
Corporation for National and Community Service		
Passed through Kent Intermediate School District (KISD):		
Learn and Serve 30600/27673	94.004	7,858
		<hr/>
U.S. Department of Health and Human Services		
Passed through Kent Intermediate School District (KISD):		
School Based Medicaid	93.778	
0607 Program		1,711
0708 Program		3,801
		<hr/>
Total U.S. Department of Health and Human Services		5,512
		<hr/>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ (197)	\$ 5,257	\$ 197	\$ —	\$ —
—	—	5,951	5,951	—
(197)	5,257	6,148	5,951	—
—	—	634,477	634,477	—
—	—	23,778	23,778	—
—	—	658,255	658,255	—
(197)	5,257	664,403	664,206	—
7,271	97,670	1,263,706	1,270,977	—
—	—	7,858	7,858	—
1,711	1,711	—	1,711	—
—	—	3,801	—	3,801
1,711	1,711	3,801	1,711	3,801

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**SPARTA AREA SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
National School Lunch Program:		
Lunches:	10.555	
Section 4 – Total Servings – 1950		\$ 32,024
Section 11 – Free and Reduced – 1960		252,516
Total Lunches		284,540
Breakfast:	10.553	
Total Servings – 1970		2,513
Free and Reduced – 1970		54,024
Total Breakfast		56,357
Special Milk	10.556	
Servings - 1940		295
Total Nutrition Cluster		341,372
U.S.D.A. Commodities:	10.550	
Entitlement Commodities		51,109
Bonus Commodities		781
Total U.S.D.A. Commodities		51,890
Total U.S. Department of Agriculture (Passed Through MDE)		393,262
Total Federal Financial Assistance		\$ 1,792,421

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ —	\$ —	\$ 32,024	\$ 32,024	\$ —
—	—	252,516	252,516	—
—	—	284,540	284,540	—
—	—	2,513	2,513	—
—	—	54,024	54,024	—
—	—	56,537	56,537	—
—	—	295	295	—
—	—	341,372	341,372	—
—	—	51,109	51,109	—
—	—	781	781	—
—	—	51,890	51,890	—
—	—	393,262	393,262	—
\$ 8,982	\$ 99,381	\$ 1,668,627	\$ 1,673,808	\$ 3,801

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SPARTA AREA SCHOOLS

For the year ended June 30, 2008

Section I – Summary of Auditor’s Results (Continued)

Federal Awards (Continued)

Dollar threshold used to distinguish between Type A and
Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

 Yes X No

Section II – Financial Statement Findings

Current Year Findings

There were no findings that are required to be reported under *Government Auditing Standards*.

Prior Year Findings

Significant deficiencies (Items 2007-1 and 2007-2) in internal control over financial reporting.

2007-1 Inadequate design and documentation of the District's internal control system.

Corrective action taken and finding has been cleared.

2007-2 Inadequate segregation of duties in the District business office, which leads to a lack of independent monitoring of the accounting functions of the District Accountant and of financial transactions occurring outside the Business Office.

Corrective action taken and finding has been cleared.

Significant deficiency (Item 2007-3) in internal control over financial reporting considered to be a material weakness:

District officials or employees who lack the knowledge and training to fulfill certain responsibilities.

2007-3 The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting standards in recording the District's financial transactions or preparing its financial statements (including Management's Discussion and Analysis and Notes to Basic Financial Statements) in compliance with current GAAP and GASB requirements.

Corrective action taken and finding has been cleared.

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SPARTA AREA SCHOOLS

For the year ended June 30, 2008

Note A – The Schedule of Expenditures of Federal Awards (SEFA) was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.

Note B – The amounts reported on the R7120 and CMS, Grant Section Auditors Report, reconcile with the SEFA.

Note D – The amounts reported on the Recipient Entitlement Balance Sheet, or PAL Report, agree with the SEFA for USDA donated food commodities.

Note D – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I	\$ 179,636	\$ 179,636	\$ —
Title I - Migrant	158,152	158,152	—
Title IIA	93,735	93,735	—
Title IID	1,745	1,745	—
Title III Limited English	52,860	52,860	—
Title V	575	575	—
English Literacy/Civics Education	10,600	10,600	—
Adult Basic Education	102,000	102,000	—
Safe and Drug Free Schools and Communities Act	6,148	5,951	197 (1)
Special Education Cluster	658,255	658,255	—
Learn and Serve	7,858	7,858	—
School Based Medicaid	3,801	3,801	—
Nutrition Cluster	341,372	341,372	—
U.S.D.A. Commodities	51,890	51,890	—
	\$ 1,668,627	\$ 1,668,430	\$ 197

(1) Prior year deferred revenue was incorrectly posted to a non-federal revenue account in the District's general fund.